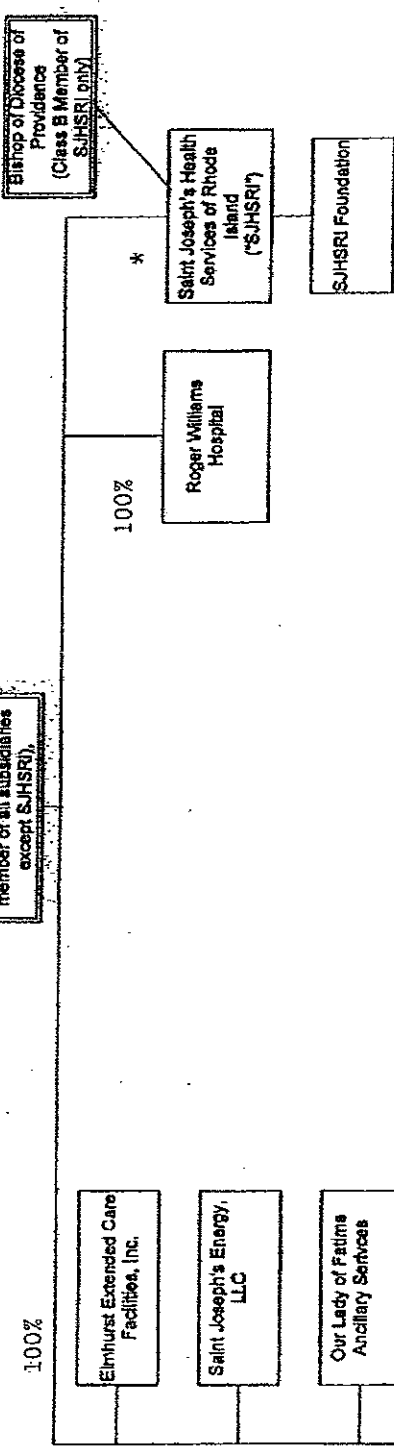
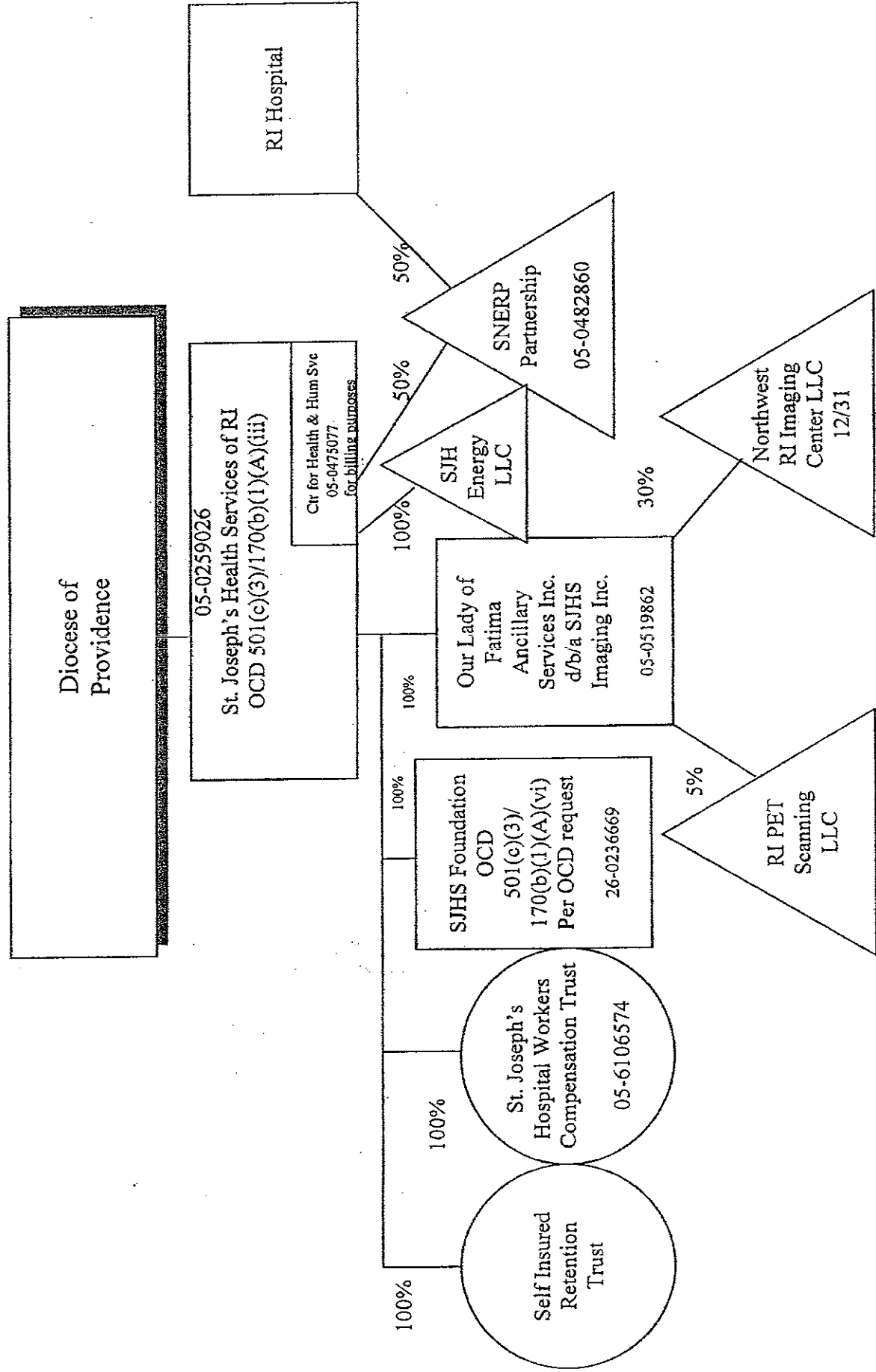


CharterCARE Health Partners
(Class A Member of all subsidiaries and sole member of all subsidiaries except SJHSRI)

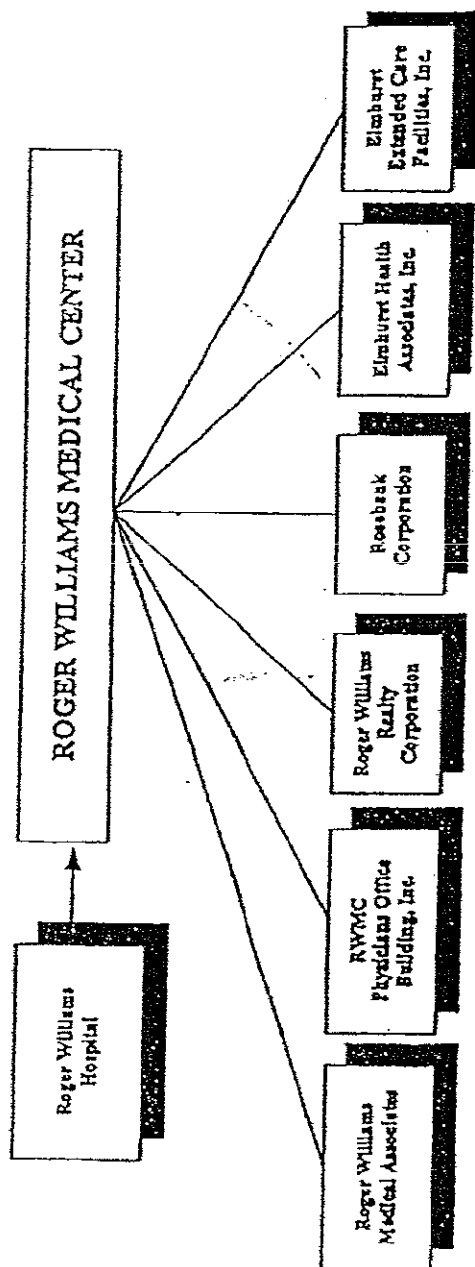


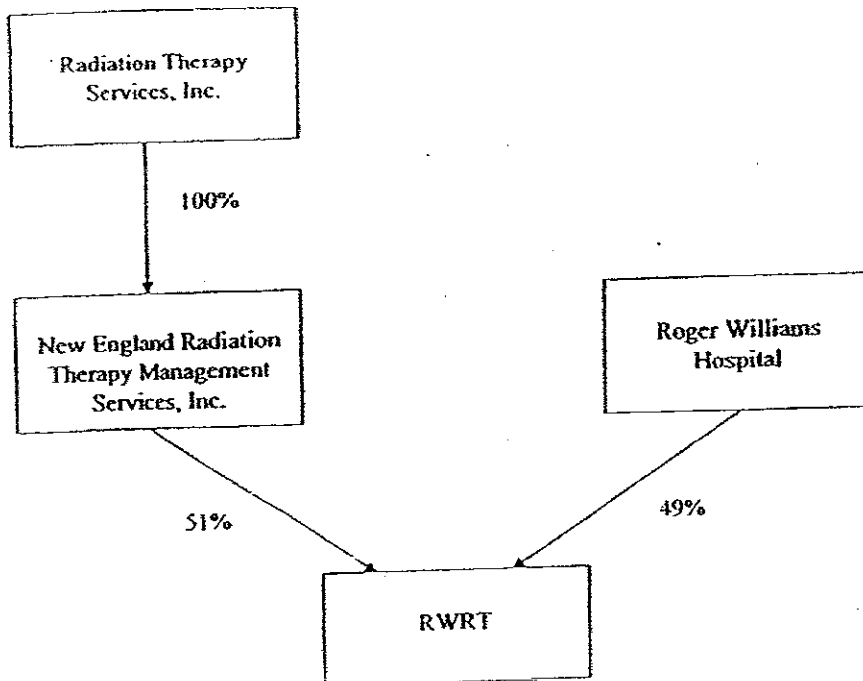
*St. Joseph Health Services of Rhode Island ("SJHSRI") will have two members: CharterCARE and the Roman Catholic Bishop of Providence, a corporation sole (the "Bishop"). There are no allocated percentage interests of these members. Rather, CharterCARE will have all powers over SJHSRI except those specifically reserved to the Bishop as set forth in the Definitive Agreement. The Bishop's reserved powers are with respect to alienation of church property as well as the maintenance in the CharterCARE system of the Ethical and Religious Directives for Catholic Health Care Services as promulgated by the United States conference of Catholic Bishops. For further information regarding the powers reserved to the Bishop, please see paragraph 2.4.7 of the Definitive Agreement.

St. Joseph's Health Service of Rhode Island Organization Chart

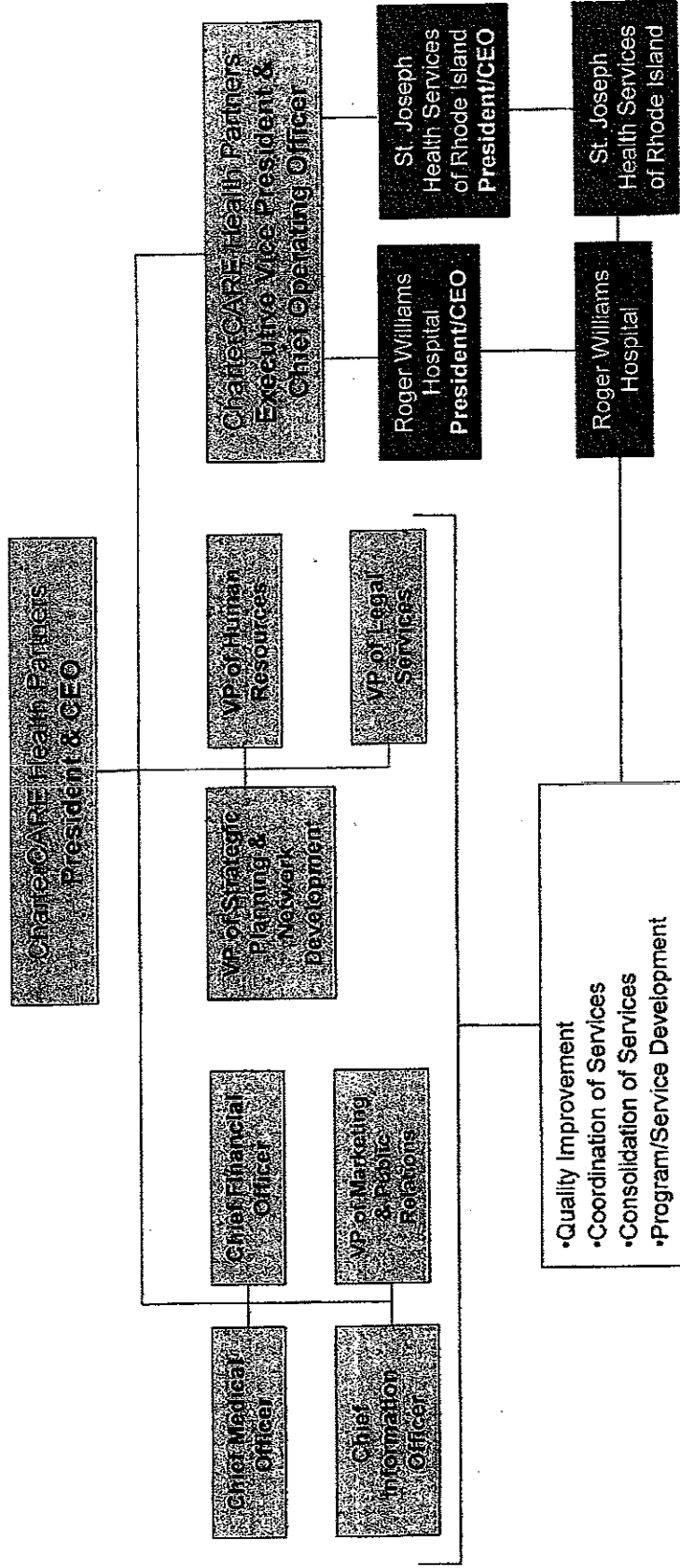


PLV 10311, JPMCGUIRE





Leadership Organizational Structure



- With exception of CMO, positions funded/created from existing executive positions from internal/external selection.
- Chief nursing officers will be facility-based, not corporate.



Division of Environmental and Health
Services Regulation
Office of Facilities Regulation

Inter-Office Memorandum

To: Health Services Council
Via: Michael Dexter,
Health Systems Development
From: Raymond Rusin, Chief

Date: June 19, 2009

Office: Facilities Regulation

RE: Advisory – for CEC Applications: St. Joseph Health Services and Roger Williams Hospital

The Office of Facilities Regulation submits the following regulatory advisory on the compliance history for St. Joseph Health Services of Rhode Island, Roger Williams Hospital, and Elmhurst Extended Care Facilities, Inc.

Survey requirements:

Hospitals in Rhode Island, by regulation, must acquire and maintain a national hospital accreditation. The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) conducts unannounced on-site inspections and reviews of a hospital's ability to meet the JCAHO standards of quality care and clinical services, and provides hospitals with a three (3) year or one (1) year conditional accreditation. St. Joseph and Roger Williams are both accredited by the Joint Commission on Accreditation of Healthcare Organizations.

The Office of Facilities Regulation (OFR) conducts unannounced abbreviated incident/event and complaint investigations in hospitals to ensure compliance with state hospital regulations. Hospital incidents and events reported under the Crowley Bill (Chapter 23-17-40), and in accordance with same, are not included in this report. Additionally, OFR is the state survey agency for the Centers for Medicare and Medicaid Services (CMS) and conducts surveys and complaint validation investigations to review a hospital's compliance with federal regulations and conditions of participation in the federal Medicare system.

Non-accredited hospitals are surveyed for compliance with the federal hospital regulations every three (3) years. Accredited hospitals are deemed to be in compliance with federal regulations and they are not routinely surveyed. CMS authorizes a 1% to 5% validation review of hospitals nationally, which for Rhode Island routinely translates into one (1) federal hospital validation survey per year, randomly selected by the CMS central office in Baltimore, MD. In the event of an allegation or incident/event of non-compliance CMS may authorize the state to conduct a focused compliant validation investigation to review specific conditions of participation (e.g., surgical services, nursing, administration, quality assurance). Should a validation investigation result in the hospital not being in compliance with a condition of participation, CMS may remove a hospital's deemed status and authorize the state survey agency to conduct a full federal hospital survey.

OFR conducts unannounced annual and abbreviated complaint investigations of nursing facilities in Rhode Island to determine compliance with state nursing home regulations. OFR also conducts additional interim inspections of facilities with a history of non-compliance, substantiated complaints, negative financial indicators, or below average nursing staff hours.



June 19, 2009

OFR advisory – St. Joseph Health Services, Roger Williams Hospital, and Elmhurst Extended care

The majority of nursing facilities in Rhode Island participate in the federal Medicare and Medicaid certification programs. Subsequently, OFR is the survey agency for conducting the federal inspections for CMS. OFR conducts unannounced federal surveys for nursing facilities on a nine (9) to fifteen (15) month schedule and review nursing facilities for compliance with federal regulations. OFR also conducts incident/event and complaint investigations of facility generated reports and/or allegations of non-compliance from residents, resident's family members, the public, and the LTC Ombudsman's office. Facilities may seek accreditation, however, it is not required for state licensure and CMS does not deem nursing homes for certification if they are accredited.

Executive Advisory Summary:

Both hospitals are appropriately licensed and their accreditation is current and neither facility is on conditional status with their accrediting body, JCAHO.

Roger Williams Hospital's (RWH) compliance record is in line with the majority of hospitals in Rhode Island. OFR routinely conducts investigations based on hospital generated reporting and consumer complaints. A review of the previous three (3) years indicates a number of investigations conducted resulted in no regulatory citations.

JCAHO completed an unannounced accreditation inspection on May 4, 2009. The hospital's accreditation is effective through 2012. OFR offers no specific recommendations in regards to the proposed merger.

St. Joseph Health Services of Rhode Island's (SJHS) compliance record is more complex involving a large and difficult psychiatric population and a series of unrelated incidents triggering both licensure and federal certification investigations and inspections. JCAHO completed an unannounced accreditation inspection on January 27, 2009. The hospital's accreditation is effective through 2012.

Although no citations of federal conditions of participation are involved to date, viewed collectively, OFR notes a pattern of issues and failures in the hospitals communication systems and implementation of policies and procedures resulted in several incidences of state citations and licensure compliance actions and agreements with the hospital. The hospital's administrative management and clinical staff are responsive to the Department's involvement in these incidents and exhibit a positive and assertive manner in dealing with the hospital's systems and service delivery issues. The Department continues to be actively involved in our follow-up to previously identified compliance issues and hospital consent agreements as well as a new investigation currently in process. OFR recommends the consideration of a condition of this association between St. Joseph and Roger Williams require a focused attention on an assessment of the hospitals communication culture and implementation of psychiatric services policies and procedures.

Elmhurst Extended Care (EEC) is appropriately licensed with no pending licensure actions and in full compliance with Medicare and Medicaid certification. EEC's overall compliance history is very good with a survey rating comparable to the state survey score average over six survey cycles (i.e., 3 years).

Elmhurst Extended Care is the only Eden Alternative® registered facility currently in Rhode Island.



June 19, 2009

OFR advisory – St. Joseph Health Services, Roger Williams Hospital, and Elmhurst Extended care

Roger Williams Hospital Advisory:

For the period 1/1/07 through 4/30/09, **84** complaints/incidents are registered in the OFR complaint data system (ACTS). Overall, these have generated 11 on-site, unannounced inspection visits:

2007 – 7 visits were made and with no citations

2008 – 4 visits were made with no citations

To date 2009 – 1 visit with no citations.

The last Joint Commission survey was completed on 5/4/09. Accreditation is effective 8/30/08 and as is customary, valid for 39 months. As of yet, we have received no report of specific findings from this survey.

OFR offers no specific recommendations in regards to the proposed association.

St. Joseph Health Services of RI Advisory:

For the period 1/1/07 through 4/30/09, **97** complaints/incidents are registered in the OFR complaint data system (ACTS). Overall, these have generated 17 on-site, unannounced inspection visits:

2007 – 6 visits were made, including, a federally authorized substantial allegation survey (a PPS excluded Psych Unit survey was concurrently conducted) when a woman on suicide precautions jumped out of a window on the psych unit in August. Several deficiencies were cited, however, no conditions of federal participation were cited. A state compliance order was issued for the hospital to engage the services of a consultant to review and make recommendations regarding the safety and security of all psych units.

In December '07, in an attempted elopement, a patient on the psych unit fell to their demise from above a ceiling tile. The circumstances of this incident were included in the consultants review.

2008 – 7 visits were made, including, a federally authorized substantial allegation of a sentinel event was conducted regarding the December 2007. No federal conditions of participation were cited.

In April '08, 2 separate visits were made when the same patient, allegedly on constant observation, was twice able to swallow foreign objects. Still under the compliance order indicated above, the hospital staff met with the Department regarding the hospitals policies and procedures on "supervision" of psychiatric patients.

In December '08, a near miss on the psych-unit occurred when a patient on constant observation was able to tear a piece of their tee shirt and wrap it around their neck sufficient enough to cause redness. State citations were cited



June 19, 2009

OFR advisory – St. Joseph Health Services, Roger Williams Hospital, and Elmhurst Extended care

2009 – 4 visits, starting in early January, as a result of the December 2008 near miss (and prior psych unit incidents), a new consent agreement was signed and the hospital agreed to review certain policies and procedures (e.g., seclusion, constant observation, and restraint use).

In late January, a federal validation (sample) survey was conducted and standard deficiencies were cited, however, no conditions of participation were found out of compliance.

The hospital is currently under investigation.

The last Joint Commission survey was completed on 1/27/09. Accreditation is effective 12/10/08 and is valid for 39 months. Findings from this review identified areas for improvement under Assessment and Care/Services, Information Management, Medication Management, Organizational Structure, Patient Safety, Physical Environment, and Life Safety Code. The hospital was required to submit of Evidence of Compliance within 45 days.

The Department continues to work closely with the hospital management and clinical staff. Apparent isolated incidents and events continue to plague the hospital and it is our belief a more expansive review of the hospitals communication and systems implementation culture is needed for the hospital to establish better control and management of a large and clinically difficult population.

Elmhurst Extended Care Advisory:

For the period January 1, 2005 – May 2009, Elmhurst Extended Care received the prescribed standard surveys with minimal citations in quality of care and little or no citations in quality of life areas. The facility has a remarkably average compliance history. There are very few repeat deficiencies with the exception of the federal requirement of F 282 (cited in 05 & 08 regarding Care Plans). This is a broad requirement and is cited quite often by the state survey agency. The usual scope and severity of citations are "isolated", indicating no general systemic failures of the facilities systems.

OFR's review revealed no significant quality of care issues and only minor, isolated citations that were found corrected upon follow-up inspections. The Administrator of record since August 1999 is Richard Gamache. As Administrator, Mr. Gamache's consistent management of the facility lends stability to the service delivery systems and quality of care for the residents. Additionally, Mr. Gamache successfully implemented and registered the facility as the first Eden Alternative® nursing home in Rhode Island.

If you have any questions regarding this advisory or the survey process, I will be available at your request.

Cc: Michael S. Varadian, JD, MBA, Executive Director
M. Vincent, RN, Public Health Nurse Consultant
A. Pullano, Principal Health Facilities Surveyor



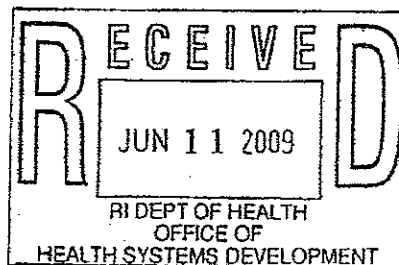
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Mental Health, Retardation and Hospitals
OFFICE OF THE DIRECTOR
14 Harrington Road
Cranston, RI 02920-3080

TEL: (401) 462-3201
FAX: (401) 462-3204
TDD: (401) 462-6087

June 10, 2009

Michael Dexter
Chief, Office of Health Systems Development
Rhode Island Department of Health
Three Capitol Hill
Providence, RI 02908-5097



Dear Michael:

The Department of Mental Health Retardation and Hospitals is grateful for the opportunity to comment on the proposed application of St. Joseph's Health Services and Roger Williams Hospital. Our recommendations are being made after careful review and oversight from the Facility Status Committee, who is charged with the responsibility of assuring care and treatment as defined by the Mental Health Law.

The following are our recommendations:

- One centralized intake for both hospitals to access a continuum of services ranging from inpatient psychiatric care of adult, geriatric and co-occurring treatment, to inpatient detox. This process is not to be phased in; it is to be implemented on the start date of the agreement.
- St. Joseph's Hospital mission statement; history of willing to accept the most challenging clients; and partnership with community providers and MHRH for court ordered treatment is to be the clinical philosophy of both hospitals.
- Both hospitals are to take admissions from all other referral sources and hospitals and not close off admissions after 4:00 p.m. weekdays, weekends or holidays, to protect interests of saving beds for clients who may enter their hospital emergency rooms. Implementing this practice will assist other hospitals without a psychiatric unit (Memorial, Miriam, South County and Westerly) who are waiting for an open bed.

Sincerely,

Craig S. Stenning
Director



444 Westminster Street • Providence, Rhode Island 02903-3279
(401) 459-1000 • www.BCBSRI.com

June 16, 2009

Mr. Michael K. Dexter
Chief
Office of Health Systems Development
Rhode Island Department of Health
Providence, RI 02908

Dear Mr. Dexter:

Enclosed is Blue Cross & Blue Shield of Rhode Island's Advisory Statement regarding Roger Williams Hospital and St. Joseph Health Services of Rhode Island affiliation application. We thank you for the opportunity to provide this advisory statement on such an important matter.

Sincerely,

A handwritten signature in cursive script that reads "Richard Farias".

Richard Farias
Chief Operating Officer
Blue Cross & Blue Shield of Rhode Island

Blue Cross & Blue Shield of Rhode Island Advisory Statement

Roger Williams Hospital & St. Joseph Health Systems of RI Affiliation Application

June 16, 2009

This document serves as an advisory statement from Blue Cross & Blue Shield of Rhode Island (BCBSRI) on the proposed affiliation between Roger Williams Hospital (RWH) and St. Joseph Health Services of Rhode Island (SJHSRI).

The organizations have filed an application to form an affiliation under a new corporate parent, CharterCare Health Partners (CCHP). As presented in the application, the benefits of the affiliation include continued patient access, operational efficiencies, and improved quality through coordination and collaboration. Administrative/support efficiencies and clinical integration and collaboration are expected to produce a financial savings of \$15M over a five-year timeline. The application identifies efficiencies from administrative and support services totaling \$7M and \$8M relating to clinical integration, department level consolidations, and supply chain consolidations.

BCBSRI recognizes that an affiliation between two hospitals with significantly overlapping service areas, located approximately 2 miles from each other, represents a unique opportunity to provide benefits to the community through collaboration, integration, and consolidation. BCBSRI has long held the position that systemic collaboration must occur if community hospitals are to confront a difficult and challenging future. We agree with the recommendation as promulgated in the First Report of the Community Hospital Task Force, "State policy and hospitals' management activities should facilitate collaboration across hospitals and between hospitals and other providers. Task Force members identified specific goals for collaboration that would improve community hospitals' financial health, through their ability to reduce costs and improve quality, without leading to increased health care costs overall." It is our opinion, based on the information submitted in the application, that the intended goals are essentially aligned with the task force recommendation. With this stated, it is important to ensure that such a complex and challenging undertaking is successful in achieving these goals.

Efficiencies are not only an essential goal of any affiliation, but are important in supporting financial sustainability. Clinical integration and coordination through centralized management and the establishment of best practices should result in quality improvement and reduced costs. In addition to these efforts, clinical consolidation must also be prominent among the benefits expected from this affiliation. Service lines mentioned in terms of consolidation include cancer care, neurosciences and orthopedics. The application notes that "clinical integration is not anticipated until years three to five and beyond." While it is understandable that such consolidation would be approached in a thoughtful manner, BCBSRI would advocate a strong commitment to achieve consolidation of such high-end services as soon as possible, within three to five years post affiliation. Further, clinical consolidation should also be evaluated in the context of a coordinated statewide health plan that addresses existing/future state capacity.

The application prominently states that "clinical integration will continue to advance resulting in best practice and increased quality." "This new affiliation agreement provides the parties with the opportunity to forge a strategic partnership through which both institutions will pursue a common

BCBSRI Advisory Statement (cont.)

goal, providing an enhanced model of patient care for the community.” In addition to these statements, both hospitals have emphasized the importance of primary care physicians. Concerns have been expressed regarding unnecessary emergency department utilization. BCBSRI also shares a concern with these issues. As the only Rhode Island non-profit commercial health insurer, BCBSRI fully embraces the need for changes to the health care delivery system, focusing on quality, affordability and improving the primary care infrastructure. The affiliation and the principles espoused through the application should be used as a platform for CCHP to work with payors on innovative approaches to improve the health care delivery model where hospitals play such an important part. Such innovative approaches would include payment methodology reform that move away from traditional fee-for-service payment to models that incorporate performance, and promotes coordination and integration along the continuum of care, e.g. global or bundled episode based payment.

In addition to the centralization of administrative and support services, RWH and SJHSRI are expected to contract for services through a Management Services Agreement with CCHP. The new corporate structure comprises new executive level positions, which at the onset are to be held on dual basis with existing executives from each institution. The applicants have stated that there would be no duplication of activities and accountabilities between the parent organization and affiliates. In this regard, it is BCBSRI's position that the post affiliation efforts focus on optimizing efficiencies wherever possible while assuring that duplication of accountability and resources between CCHP and the affiliated hospitals does not occur, particularly if positions in the parent are replaced with administrators that do not hold dual positions.

SJHSRI leadership should be commended for their efforts to undertake a comprehensive financial recovery plan. The effort will ensure that both institutions are entering the affiliation in the best financial condition possible. In fact, we see this as critical to ensuring the success of the affiliation. BCBSRI's expectation is that the recovery plan will significantly moderate losses in 2009 and place the hospital on a path to financial recovery in 2010.

We would recommend that the following be considered formal conditions should the Project Review Committee recommend approval to the Health Services Council.

- Commitment to a minimum savings of \$15 million generated from efficiencies outlined in the application. The allocation and timing of the savings per year would be consistent with the timeline commitment presented by the applicants.

Year	Savings Per Year
1	\$4.1 million
2	\$4.2 million
3	\$4.2 million
4	\$2.0 million
5	\$0.5 million
Total Savings	\$15.0 million

- Commitment to collaborate with payors in order to institute innovative approaches that improve the coordination and integration of care between patients, hospitals, physicians, and addresses payment reform based on alternative payment methodologies. Such alternative payment methodologies must incorporate performance as a key requirement.

BCBSRI Advisory Statement (cont.)

- A semi-annual report from CCHP to the Health Services Council that details information on the progress, achievements and plans relating to the following:
 - Centralization and coordination of administrative and support services
 - Clinical service integration, coordination and consolidation
 - Savings achieved from the efficiencies delineated in the application and opportunities for additional savings beyond the original targeted amount
 - Confirmation and documentation confirming that no duplication and additional expenses has been incurred relating to the accountabilities, resources and organizational structure between corporate and affiliates
 - Confirmation that RWH and SJHSRI have formally pursued arrangements with payors that will improve coordination and integration of care and establish alternative payment methods

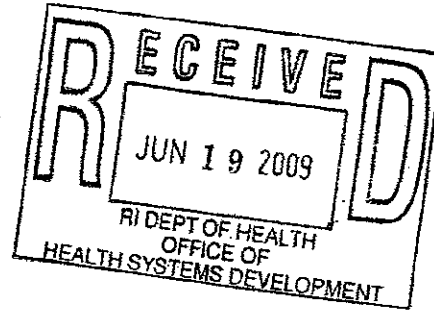
As a point of clarification, it is assumed that the Change in Effective Control, as part of the hospital licensure process, obligates the applicants to follow the conditions as a requirement of their licensure. If this is not the case, than BCBSRI would advocate that the Health Services Council convene to review the deficiencies and determine the appropriate remediation.

In summary, BCBSRI believes that the affiliation between these two valued community assets is in the best interest of their communities and Rhode Island's health care delivery system. As previously noted, the affiliation also represents an excellent opportunity to work with payors on innovative approaches to address efficiency, performance, and affordability.

**United Nurses &
Allied Professionals**



Linda McDonald, RN
President



June 18, 2009

David R. Gifford, MD, Director
RI Department of Health
3 Capitol Hill
Providence, RI 02908

Re: Change of Effective Control Application of St. Joseph Health Services, Roger Williams Hospital, and CharterCare Health Partners

Dear Director Gifford:

I write on behalf of the United Nurses & Allied Professionals ("UNAP") to support the Change of Effective Control application of St. Joseph Health Services of RI ("St. Joseph"), Roger Williams Hospital ("Roger Williams"), and CharterCare Health Partners.

The UNAP is the largest health care union in Rhode Island, representing nearly 5,500 health professionals who work at seven of our state's not-for-profit hospitals – as well as at other health care and social service agencies – including 300 Registered Nurses who work at St. Joseph's Fatima Hospital.

The UNAP has carefully reviewed the affiliation proposal of St. Joseph and Roger Williams. Of particular concern in our review was the potential impact of the affiliation on the job security and collective bargaining rights of our members, in light of the prospect of consolidation of clinical services provided by the two hospitals at some point in the future. Of equal concern to the UNAP was St. Joseph's future financial viability in the absence of the administrative efficiencies and opportunities for growth that will hopefully be achieved by the proposed conversion.

In recent weeks, the UNAP held several meetings with the CEOs of both St. Joseph and Roger Williams in an effort to clarify and protect the rights of our members in the event that clinical services are transferred or consolidated in the future. As a result of these discussions, the UNAP has reached a tentative agreement with the hospitals that will provide transparency and predictability for employees regarding such issues as seniority rights, transfer rights, collective bargaining rights, and other terms and conditions of employment. We anticipate that this tentative agreement will be formalized in a Memorandum of Understanding between the parties in the near future.

In light of the agreement that we have reached with St. Joseph and Roger Williams, and consistent with our view that collaboration between hospitals will produce better and more cost-effective health care services for Rhode Islanders than will competition, the UNAP herein offers its support for the proposed affiliation between St. Joseph and Roger Williams.

Thank you very much for your consideration.

Yours truly,

Rick Brooks

Rick Brooks
Director

Cc: Linda McDonald, RN
Lynn Blais, RN
Robert Quigley, D.C.
Michael Dexter
John Fogarty
Ken Belcher

Merging hospitals complex process

BY MARION DAVIS
CONTRIBUTING WRITER

Compared with the Lifespan-Care New England merger plan, this one seems simple: just two community hospitals and their ancillary operations, serving similar demographics, coming together to save costs in a tough economy.

Even the Catholic-secular connection has been uncontroversial. Informational

meetings held in recent weeks were sparsely attended. If St. Joseph Health Services of Rhode Island and Roger Williams Medical Center want to merge, it seems, no one's going to stand in their way.

But for anyone wondering why the other, much-bigger plan is taking so long to be completed and wend its way through the regulatory system, a look at this smaller plan is a lesson in the complexity of health care - and the challenges

in connecting even similar organizations. The case for the "affiliation," as the hospitals have called it, is simple: It's a tough economic environment, and being part of a system rather than independent, as they see it, is a big help.

In this fast-changing health care market, the application notes, "it has become increasingly difficult for smaller independent hospitals to survive." Without a

SEE **MERGER**, PAGE 13

Merger

FROM PAGE ONE

merger, it adds, "it is unclear how far into the future both entities can survive on their own."

By coming together, on the other hand, both hospitals estimate they can save \$15 million in the first three years alone, and ultimately about \$7 million per year through "administrative and support efficiencies" and \$8 million per year from clinical-services integration, department-level consolidations, supply-chain consolidations and other changes.

Altogether, the savings would equal about 5.3 percent of the hospitals' combined operating budgets, the application estimates - a huge improvement given that each lost money on operations for three of the five years between 2003 and 2007 (the latest year for which complete figures are available); in 2007, Roger Williams eked out a 0.07 percent operating profit, while St. Joseph had a 1.3 percent operating loss, figures compiled by the state show.

But achieving those savings won't be simple.

For starters, both organizations are more complex than is immediately obvious. Roger Williams not only runs its hospital, but Elmhurst Extended Care (a nursing home) and physician offices, plus it's a partner in a for-profit radiation therapy facility. It operates senior centers in four communities, and it runs a home-care service.

St. Joseph, for its part, not only owns Our Lady of Fatima Hospital and St. Joseph Hospital for Specialty Care, but also an assisted-living facility and a nursing school. Its South Providence primary care clinic is a major source of care for low-income people, with more than 52,000 visits per year covering adult and pediatric care, immunizations, pediatric dentistry and more. It co-owns an MRI center.

MERGER APPLICATION

St. Joseph Health Services of Rhode Island, Roger Williams Medical Center

'[Without a merger] ... it is unclear how far into the future both entities can survive.'

All those services, the application stresses, will continue to be offered by the combined entity, to be known as CharterCARE Health Partners - in most cases, just as they're offered now, but in other cases, in some consolidated form, if it's deemed to be more efficient.

"There will be no reduction or elimination of clinical services as a result of the conversion," the application notes. But "consolidation," it says, is expected to happen in lab services, outpatient rehabilitation, home care, hyperbaric medicine, occupational health, bariatrics, oral surgery and hospice care.

And "centralized management and clinical direction" will affect an even broader range of services, from diagnostic imaging, to psychiatry, geriatric pharmacy and emergency care. Cancer services, orthopedics, neurosciences, pain management and other functions are also likely to be consolidated, the application says.



PHOTO COURTESY ST. JOSEPH'S HOSPITAL

PULLING TEETH: St. Joseph Hospital's pediatric dental resident Douglas Warner works on a patient.

Elmhurst administrator wins national award

PROVIDENCE - Richard E. Gamache, vice president and administrator of Elmhurst Extended Care, has been named "distinguished administrator" of the year by the American College of Health Care Administrators, which held its annual convocation in Providence last month.

There are more than 16,000 licensed administrators employed in the United States, and only one receives the award each year.

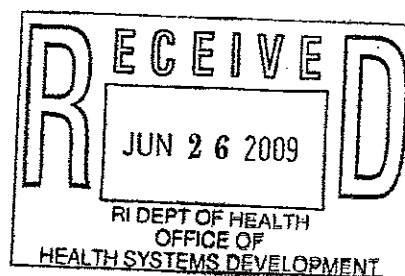
Elmhurst Extended Care, which is affiliated with Roger Williams Medical Center, is the only nursing home in the state that incorporates the Eden Alternative, a philosophy of elder care that focuses on individual choice and meaningful experiences for residents.

Gamache is an Eden Mentor and one of 50 Eden Educators worldwide. He has more than 25 years' experience in elder care, including multisite, multistate management. His team was recently featured on an ABC News segment on model nursing homes.

"Rick and his staff have revolutionized elder care in Rhode Island," said Kenneth H. Belcher, president and CEO of Roger Williams.



200 High Service Avenue
No. Providence, RI 02904
401-456-3000



To: Mr. Michael Dexter
Office of Health Systems Development

From: John M. Fogarty, President and Chief Executive Officer
St. Joseph Health Services of Rhode Island

Date: June 24, 2009

Subject: OFR Advisory for CEC application

I would like to take this opportunity to respond to the comments the Health Services Council received from the Office of Facility Regulations (OFR) relating to the CEC application for St. Joseph Health Services of Rhode Island and Roger Williams Hospital. I think it is important to state for the record that the Hospital enjoys a collaborative relationship with the Division of Facilities Regulation, HEALTH and MHRH and will continue to collaborate fully in any current and ongoing issues.

Having read the memorandum, shared it with our Board of Trustees, Medical Staff leadership and clinical team, I would like to share some thoughts and clarify some statements noted in the correspondence.

We take patient safety and quality of care very seriously in our organization. As was noted at the Project Review Committee, we encourage all staff to report any issues that may affect patient safety or quality of care. We are the largest provider of acute mental health inpatient services for chronically mentally ill individuals in the state of Rhode Island. As such, we treat a high risk population that is prone to injurious and dangerous behavior. Despite our numerous safety initiatives, the Hospital has experienced some unfortunate events over the past year. However, we remain fully committed to continuing to treat this population of patients in a safe and therapeutic environment and report any concerning incidents.

The Hospital's last Joint Commission survey was completed in December 2008 and we are fully accredited and at the same accreditation status as every hospital in the state. While it is true as noted in the OFR letter that the Hospital was required to submit evidence of standards compliance within 45 days, this is the standard process for every hospital nationally, virtually all of which receive requirements for improvement (or RFIs) in their Joint Commission surveys. All of our measures of success and evidence

Divisions:



200 High Service Avenue
North Providence, RI 02904



21 Peace Street
Providence, RI 02907



153 Dean Street
Providence, RI 02903

of standards of compliance have been submitted to and accepted by The Joint Commission.

We have embraced a culture of transparency at St. Joseph Health Services for events and near misses. As such, the high number of issues and near misses that are identified, particularly in the psychiatric division at St. Joseph Health Services, are a result of a high degree of self reporting that we initiated here. While reporting near misses is not a statutory requirement, we stand by this practice as part of our patient safety program and view them as an opportunity for learning and systems improvement, even though they may trigger a significant number of on-site surveys. We were encouraged to hear Mr. Rusin echo this perception in his comments to the Committee this week.

The OFR letter notes that "the Hospital is currently under investigation." After discussions with Facilities Regulation, it was clarified that the term "investigation" refers to the most recent on-site survey conducted by the Office of Facilities Regulation at the Hospital. This survey has been completed and a report issued, the results of which were shared with the Health Service Council during the June 23, 2009 meeting. As noted at the meeting, these findings - while deserving of prompt attention - are of a routine nature and will be addressed shortly in our response to the OFR report.

Thank you for the opportunity to comment on the OFR correspondence and feel free to share this letter with the full Council.

JMF:lmh

Cc R. Rusin
P. Rocha
K. O'Connell
K. Belcher

ADLER POLLOCK & SHEEHAN P.C.

One Citizens Plaza, 8th floor
Providence, RI 02903-1345
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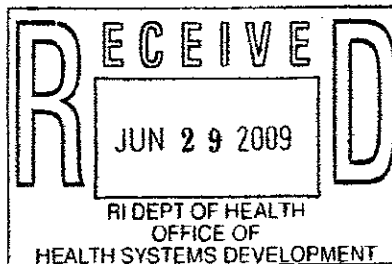
175 Federal Street
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Telephone 617-482-0600
Fax 617-482-0604

www.apslaw.com

June 29, 2009

VIA HAND DELIVERY

Mr. Michael K. Dexter
Chief, Health Systems Development
Rhode Island Department of Health
3 Capitol Hill
Cannon Building - Room 404
Providence, RI 02908



Re: CharterCARE Health Partners Change in Effective Control ("CEC") Applications

Dear Mr. Dexter:

I am writing to request that you forward the attached Revised Pro Forma to members of the Health Services Council to substitute for the projections set forth on pages 6 and 7 of the Report of the Committee Of The Health Services Council On The Applications of CharterCARE Health Partners For Changes In Effective Control Of: St. Joseph Health Services of Rhode Island, Roger Williams Hospital and Elmhurst Extended Care Facilities, Inc. As you will recall, as part of the Department of Health Hospitals Conversions Act Review, the parties were asked to submit revised financial projections based upon updated information. On June 19, 2009, the parties submitted the attached revised projections and we would ask that they be made part of the record in the pending CEC Review. The parties look forward to meeting with the full Health Services Council on Tuesday, June 30 at 2:30.

If you have any questions, please contact me. As always, thank you for your consideration.

Sincerely,

PATRICIA K. ROCHA
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PKR/ln

cc: John M. Fogarty
Kathleen A. Kenny
Kenneth H. Belcher
Kimberly A. O'Connell, Esq.
Addy Kane

**Pro Forma Comparison
CharterCARE Health Partners**

ORIGINAL SUBMISSION

Volume Assumptions	2 % Volume Growth						1% Growth						0% Growth					
	2009 Baseline	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014		
(LOSS)/GAIN FROM OPERATIONS Roger Williams Hospital	0	744	1,146	888	484	(274)	(94)	(604)	(1,824)	(3,265)	(5,117)	(828)	(2,334)	(4,488)	(6,888)	(9,787)		
SJHSRI	(2,184)	2,184	2,414	1,925	1,239	330	443	(341)	(1,927)	(3,773)	(5,920)	(1,271)	(3,054)	(5,680)	(8,602)	(11,887)		
Subtotal	(2,184)	2,928	3,560	2,823	1,733	66	349	(945)	(3,751)	(7,028)	(11,037)	(2,200)	(5,388)	(10,168)	(15,498)	(21,634)		
Affiliation Impact: Business Plan of Efficiencies	-	(4,078)	(8,328)	(12,501)	(14,457)	(15,000)	(4,078)	(8,328)	(12,501)	(14,457)	(15,000)	(4,078)	(8,328)	(12,501)	(14,457)	(15,000)		
Est One-Time Costs	-	1,612	405	50	30	30	1,612	405	50	30	30	1,612	405	50	30	30		
Charter Care- Income/(Loss) from operations	(2,184)	8,376	11,482	15,274	16,180	15,026	2,816	8,878	8,700	7,989	3,933	287	2,835	2,283	(1,071)	(6,884)		

Revised Pro Forma

Volume Assumptions	2 % Volume Growth						1% Growth						0% Growth					
	2009 Baseline	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014		
(LOSS)GAIN FROM OPERATIONS Roger Williams Hospital	(1,768)	1,764	2,308	2,484	2,582	2,311	948	609	(155)	(1,048)	(2,357)	278	(923)	(2,583)	(4,408)	(6,678)		
SJHSRI	(3,501)	4,005	5,288	6,087	6,884	7,660	3,120	3,429	3,201	2,879	2,457	2,235	1,554	362	(1,013)	(2,542)		
Subtotal	(5,255)	5,769	7,597	8,581	9,466	9,971	4,068	4,038	3,046	1,833	100	2,511	671	(2,221)	(5,422)	(9,220)		
Affiliation Impact: Business Plan of Efficiencies	-	(4,078)	(8,328)	(12,501)	(14,457)	(15,000)	(4,078)	(8,328)	(12,501)	(14,457)	(15,000)	(4,078)	(8,328)	(12,501)	(14,457)	(15,000)		
Est One-Time Costs	-	1,812	405	50	30	30	1,812	405	50	30	30	1,812	405	50	30	30		
Charter Care- Income/(Loss) from operations	(5,259)	8,238	15,920	21,032	23,883	24,941	8,535	11,961	15,497	18,260	15,070	4,978	8,594	10,230	9,005	5,760		